

AR87

THIS PROSPECTUS is not and under no circumstances is to be construed as public offering of the securities herein described for sale in the United States of America or in the territories or possessions thereof.

FEB 22 1962

NEW ISSUES

fel

Magna Electronics Corporation Limited

(Incorporated under the laws of Ontario)

2,500 Shares

(\$100 par value)

6 $\frac{1}{2}$ % Cumulative Redeemable Sinking Fund Preference Shares

— and —

100,000 Common Shares

(without nominal or par value)

In Units consisting of one \$100 Preference Share and 40 Common Shares

Transfer Agent and Registrar for the Preference and Common Shares

The Canada Trust Company

We, as principals, offer these units (reserving the right to sell separately Preference shares at par (\$100) and Common shares at \$3.50 per share), subject to prior sale and change in price, if, as, and when issued, and accepted by us, and subject to the approval of all legal matters on behalf of the Company and of ourselves by Messrs. Allen, Hunter, Campbell & Regan, Toronto, Ontario.

Price \$240.00 Per Unit

The Common Shares Offered by this Prospectus are Speculative Securities

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates representing the Preference and Common shares will be available for delivery on or about January 15th, 1962.

R. H. SCARLETT & CO. LTD.

Member of The Toronto Stock Exchange

11 Adelaide Street West, Toronto 1, Canada, Telephone EMpire 4-1281

Branch Offices: King Edward Hotel, Toronto • 16 West Street North, Orillia

Mr. J. E. Warrington, President, has supplied the following information regarding the business and affairs of Magna Electronics Corporation Limited.

THE COMPANY

The Company was incorporated under the laws of Ontario in November, 1961, and will have acquired all the assets and assumed all of the liabilities of the several predecessor companies which now constitute the Magna Group. These companies are Magna Electronics Limited; Magna Metal Fabricators Limited; Duncairn Holdings Limited; Verral Metal Fabricators Limited; Southern Manufacturing and Equipment Limited and Petronics Limited.

BUSINESS OF THE COMPANY

The Company will carry on, on an expanded basis, the same activities as its various predecessors. These constitute the manufacture of high precision parts to extremely accurate specifications for the electronics, computer, radar, aircraft and missile industries and other categories of modern business requiring a high degree of skill and complex accurate tools and testing equipment. The Company numbers among its customers some of the largest concerns in these fields both in Canada and in the United States of America.

Magna Electronics Corporation will carry on its business in five plants (two of them to be owned by the Company) in the City of Toronto, with a total floor space of approximately 35,000 square feet. The equipment of the Company is highly efficient and will be added to from time to time as needs arise. The Company currently has approximately one hundred and thirty employees, most of whom are highly skilled workmen, supervised by competent trained personnel. The business of the Company currently is divided approximately 50% for Defence applications and about 50% for general business applications.

The Magna Group is constantly engaged in research and development work and is continuously entering new profitable fields. For example, currently the Company is engaged in the development of circuitry boards and miniature modules for its customers, which have already met with considerable success.

MANAGEMENT

The various companies of the Magna Group which will form the new Company have been developed over the last twelve years by Mr. John E. Warrington and his associates. Mr. Warrington is highly experienced in his field and is a man of 42 years, so that he has a great many years of useful endeavour ahead of him. He is surrounded by a group of experienced men, also of comparatively youthful years. Other than Mr. John Warrington, these key men are:— Harold Warrington, W. J. Dale, F. Charlebois, H. T. Pawson, C. Lobb, Rudolph Petrick, all of whom are in their late thirties or early forties.

PROFITS OF THE COMPANY

The attached table of audited combined earnings of the predecessor companies discloses a favourable trend from August 31st, 1954 to the period ended August 31st, 1961. At the present time the Company has a record "back-log" of business on its books and the Management is, therefore, optimistic that the favourable growth trend in both sales and earnings will continue.

DIVIDENDS

The maximum dividend payable on the new Preference stock, assuming the exercise in full of the option thereon, would be \$16,250.00, which would have been covered in all the years reported on herewith and in the last three years by a very comfortable margin. The Net earnings applicable to the common stock available for dividends, to be declared at the discretion of the directors, are substantial and showing an increasing trend.

SHARE PURCHASE WARRANTS

R. H. Scarlett & Co. Ltd., will purchase on their own account 100,000 share purchase warrants which permit the holder to purchase one share of the common stock of the company for each warrant held. Fifty per cent (50%) of these share purchase warrants will be offered for sale to John Edward Warrington as set forth on Page 10 of this prospectus. These Warrants may be sold at any time. The indenture providing for the creation and issue of such share purchase warrants will provide that such share purchase warrants will expire at 3:00 P.M. Toronto Time, December 31st, 1966. The schedule of prices at which such warrants will be exercisable is:

	On or before December 31st, 1962	\$3.50 per share.
Thereafter and	on or before December 31st, 1963	\$4.00 per share.
" "	on or before December 31st, 1964	\$4.50 per share.
" "	on or before December 31st, 1965	\$5.00 per share.
" "	on or before December 31st, 1966	\$5.50 per share.

PURPOSE OF THE ISSUES

Proceeds of the issues will be used in part for the purchase of the assets of the predecessor companies, for additional working capital, and for general corporate purposes.

CAPITALIZATION

	Authorized	To be issued
6½% General Mortgage Bonds _____	\$1,000,000	
10 year Serial Bonds, 1962 Series _____		\$250,000
6½% Cumulative Redeemable Sinking Fund _____	10,000 shares	2,500 shares
Preference Stock, par value \$100.00 _____	(\$1,000,000)	(\$250,000)
Common shares (No Par Value) _____	1,000,000 shares	350,000 shares

NOTE: Additional Bonds may be issued in accordance with the provisions but subject to the limitations set forth in the trust deed.

CONCLUSION

The Magna Group is conducting a growing business in a skilled field and many of its processes are unique in Canada. With the increasing demand for the end products, many of whose parts are manufactured by Magna, the Management are confident that this business will continue to expand on a profitable basis.

* * *

COMBINED EARNINGS

DUNCAIRN HOLDINGS LIMITED
MAGNA ELECTRONICS LIMITED
VERRAL METAL FABRICATORS LIMITED
SOUTHERN MANUFACTURING AND EQUIPMENT LIMITED
PETRONICS LIMITED
MAGNA METAL FABRICATORS LIMITED

Statement of Combined Earnings for the Period September 1, 1953 to September 30, 1961

Fiscal year ended	Profit before Depreciation Interest on Mortgage and Taxes on Income	Depreciation Expenses	Profit before Interest on Mortgages and Taxes on Income	Interest on Mortgages	Profit before Taxes on Income	Taxes on Income	Net Profit
August 31, 1954 _____	\$ 51,379	\$ 13,777	\$ 37,602	\$ _____	\$ 37,602	\$ 8,160	\$29,442
August 31, 1955 _____	74,908	29,536	45,372	_____	45,372	14,273	31,099
August 31, 1956 _____	103,180	35,057	68,123	2,092	66,031	21,704	44,327
August 31, 1957 _____	83,232	44,093	39,139	3,430	35,709	10,966	24,743
August 31, 1958 _____	77,619	42,679	34,940	3,434	31,506	9,743	21,763
August 31, 1959 _____	121,919	45,883	76,036	3,212	72,824	26,754	46,070
August 31, 1960 _____	144,519	50,060	94,459	3,276	91,183	28,222	62,961
August 31, 1961 _____	201,978	55,639	146,339	4,188	142,151	46,449	95,702
For the month ended September 30, 1961 ____	15,294	4,318	10,976	384	10,592	3,048	7,544

Notes to Statement of Combined Earnings

1. Duncairn Holdings Limited, Magna Electronics Limited, Verral Metal Fabricators Limited, Southern Manufacturing and Equipment Limited, Petronics Limited, Magna Metal Fabricators Limited, hereafter referred to as the Companies, which have been combined in the earnings statement have various year end dates. In order to effect a comparison, a fiscal year end of August 31, has been chosen. The income and expenses of the Companies as per their respective year end audited statements have been pro-rated to reflect the years ending on August 31.
2. (a) Duncairn Holdings Limited was incorporated on May 29, 1948 as Household Sheet Metal Company Limited and established a fiscal year end of December 31. By supplementary letters patent dated August 6, 1952 this company changed its name to Magna Metals Limited and by supplementary letters patent dated February 27, 1961 the name was changed to Duncairn Holdings Limited.
 (b) Magna Electronics Limited commenced operations September 1, 1953 and established a fiscal year end of August 31.
 (c) Verral Metal Fabricators Limited commenced operations May 6, 1955 and established a fiscal year end of April 30.
 (d) Southern Manufacturing and Equipment Limited commenced operations November 1, 1958 and established a fiscal year end of April 30.
 (e) Petronics Limited commenced operations June 29, 1960 and established a fiscal year end of June 30.
 (f) Magna Metal Fabricators Limited commenced operations February 16, 1961 and has yet to establish a fiscal year end.
3. Inter company sales have been eliminated for the periods ending August 31, 1958 to September 30, 1961 inclusive. Prior to these dates, the financial statements were prepared by other auditors and inter company sales figures are not available. It is our opinion, however, that prior to 1958 such inter company sales were not material.
4. Maximum capital cost allowances as permitted for income tax purposes has been taken in all years.
5. Income tax returns of the companies have been assessed up to and including as follows:

Duncairn Holdings Limited	December 31, 1959
Magna Electronics Limited	August 31, 1960

All income tax re-assessments have been applied to the years affected.

6. For the period August 31, 1953 to September 30, 1961 the companies except for Magna Electronics Limited and Petronics Limited were not associated companies for taxation purposes. However, had all companies been associated the taxes for these years would have been:

for one month ended September 30, 1961	\$ 4,662.
for years ended August 31, 1961	64,738.
1960	40,165.
1959	40,055.
1958	8,688.
1957	11,859.
1956	25,635.
1955	16,094.
1954	12,625.

AUDITORS' REPORT

To the Directors,
Magna Electronics Corporation Limited.

We have examined the statement of combined earnings of:

1. Duncairn Holdings Limited for the period September 1, 1953 to September 30, 1961.
2. Magna Electronics Limited for the period from commencement September 1, 1953 to September 30, 1961.
3. Verral Metal Fabricators for the period from commencement May 6, 1955 to September 30, 1961.
4. Southern Manufacturing and Equipment Limited for the period from commencement November 1, 1958 to September 30, 1961.
5. Petronics Limited for the period from commencement June 29, 1960 to September 30, 1961.
6. Magna Metal Fabricators Limited for the period from commencement February 16, 1961 to September 30, 1961.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement of combined earnings and notes related thereto presents fairly the combined results of operations of the companies for the period September 1, 1953 to September 30, 1961 in accordance with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

RESNICK, WINTRAUB & CO.,
Chartered Accountants.

Toronto, Ontario,
November 20, 1961.

MAGNA ELECTRONICS CORPORATION LIMITED

Pro Forma Balance Sheet as at September 30, 1961

ASSETS

		Pro Forma
CURRENT ASSETS		
Cash	73,567.49	
Accounts receivable	114,598.60	
Inventories, raw materials and work in process at lower of factory cost or market less progress billings	171,834.06	
Prepaid expenses	14,267.10	
Sundry deposits	425.00	374,692.25
FIXED ASSETS		
Land, buildings, leasehold improvements, machinery and equipment, furniture and fixtures, automotive equipment as appraised by Cooper Appraisals Limited at depreciated replacement value (note 6)		689,570.00
OTHER ASSETS		
Research development and engineering (note 12)	150,000.00	
Goodwill (note 4)	141,600.00	
Share issue expenses	22,500.00	
Organization expenses	2,500.00	316,600.00
TOTAL ASSETS		<u>\$ 1,380,862.25</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	51,583.07	
Employees tax deductions	6,327.38	
Corporation taxes payable	34,729.67	
Balance owing on equipment	10,600.41	
TOTAL CURRENT LIABILITIES		\$ 103,240.53
LONG TERM DEBT		
Mortgage payable 7¼% Excelsior Life Insurance Co. (note 11)		
970 Broadview Avenue	45,247.06	
980 Broadview Avenue	17,048.90	
6½% 10 year general mortgage serial bonds 1962 series (note 5)	250,000.00	
		312,295.96
SHAREHOLDERS EQUITY		
Capital Stock		
Preference shares		
6½% cumulative redeemable sinking fund par value \$100.00		
Authorized — 10,000 shares		
Outstanding — 1,000 shares (note 8)	100,000.00	
Common shares without par value		
Authorized 1,000,000 shares		
Outstanding 350,000 shares	317,504.95	
Excess of appraised value of assets over cost (note 6 and note 12)	542,820.81	
Contributed Surplus (note 9)	5,000.00	
		965,325.76
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u>\$ 1,380,862.25</u>

Approved on behalf of the Board of Directors

"H. T. PAWSON"

"C. R. LOBB"

MAGNA ELECTRONICS CORPORATION LIMITED

Notes to Pro Forma Balance Sheet After giving effect in Pro Forma Balance Sheet to

1. Incorporation of the company with an authorized capital of 10,000 6½% cumulative redeemable Sinking Fund preference shares with a par value of \$100.00 each and 1,000,000 common shares without nominal or par value and the allotment and issue of 5 incorporators shares for a cash consideration of \$5.00.
2. Issuance and sale of 249,995 common shares of no par value for a cash consideration of \$2,499.95.
3. The issue and sale to R. H. Scarlett & Co. Ltd. of
 - (a) 1,000, 6½% cumulative redeemable sinking fund preference shares with a par value of \$100.00 for a cash consideration of \$100,000. less commission of 10%.
 - (b) 100,000 common shares of no par value for a cash consideration of \$315,000.
 - (c) 100,000 shares purchase warrants for a cash consideration of \$5,000.00.
4. The acquisition from the following companies of all their respective assets at book value and assumption of all liabilities for a cash consideration of \$550,000. As at September 30, 1961 the assets and liabilities were as follows:

	Assets	Liabilities	Net
Duncairn Holdings Limited	200,018.73	68,990.08	131,028.65
*Magna Electronics Limited	340,830.08	31,455.82	309,374.26
Verral Metal Fabricators Limited	78,854.63	29,290.68	49,563.95
Southern Manufacturing and Equipment Ltd.	64,168.26	38,233.89	25,934.37
Petronics Limited	44,034.63	35,965.64	8,068.99
Magna Metal Fabricators Ltd.	265,153.65	239,123.87	26,029.78
	<u>\$993,059.98</u>	<u>\$443,059.98</u>	<u>\$550,000.00</u>

*Included in the assets of Magna Electronics Limited is Goodwill of \$141,600.00 as valued by the Directors.

5. Issue and sale of \$250,000. principal amount, 6½% 10 year general mortgage serial bonds 1962 series out of \$1,000,000. authorized General Mortgage Bonds. The said serial bonds are payable as to \$25,000. principal amount annually and together with interest at 6½% payable half annually and secured under a Trust Deed by way of a specific mortgage, and floating charge on all of the company's present and future assets. Additional bonds may be issued in accordance with the provisions but subject to the limitation set forth in the trust deed.
6. An appraisal was made for the company by Cooper Appraisals Limited as at September 30th, 1961. The appraisal at depreciated replacement value of \$689,570.00 shows an excess of \$392,820.81 over the acquisition cost of \$296,749.19 for the fixed assets to be acquired from the companies stated in note #4.
7. Legal and audit and other expenses estimated at \$15,000.00.
8. R. H. Scarlett & Co. Ltd. have an option to purchase from the company, all or any part of 1,500 preference shares at \$100. par value less a 10% commission, within one year from the date of closing and not to extend beyond January 15th, 1963.
9. 100,000 share purchase warrants have been purchased by R. H. Scarlett & Co. Ltd. at 5¢ each, entitling the holders thereof to purchase from the company at any time up to and including December 31, 1966 one share of common stock at a cost price of \$3.50 up to and including December 31, 1962 and thereafter at a cost price of \$4.00 up to and including December 31, 1963 and thereafter at a cost price of \$4.50 up to and including December 31, 1964 and thereafter at a cost price of \$5.00 up to and including December 31, 1965 and thereafter at a cost price of \$5.50 up to and including December 31, 1966.
10. Leases — Southern Manufacturing and Equipment Limited leases premises at the rear of 300 Greenwood Ave., Toronto, at a yearly rental of \$5,000.00. The term of the lease is for one year from November 15, 1960 to November 14, 1961 after which date a tenancy from month to month will be in effect.

Petronics Limited leases premises at the rear of 302 Greenwood Ave., Toronto, at a yearly rental of \$1,800.00. The term of the lease is for a period of one year from April 1, 1961 to March 31, 1962 after which date a tenancy from month to month will be in effect.

Verral Metal Fabricators Limited sub lease premises at 6 Jeavons, Scarborough, Ontario at a yearly rental of \$4,867.20. The term of the lease is for three years from September 15, 1959 to September 14, 1962 after which date a tenancy from month to month will be in effect.

11. Mortgages Payable — The Excelsior Life Assurance Company holds two first mortgages on the buildings at 970 Broadview Ave. and 980 Broadview Ave.

The mortgage on 970 Broadview Ave. was originally for a principal sum of \$46,585.00 at 7¼% for a term of fifteen years, maturing December 9, 1975. The principal balance as at September 30, 1961 was \$45,247.06 and the annual installment (principal and interest) due within one year is \$5,069.40.

The mortgage on 980 Broadview Ave. was originally for a principal sum of \$18,000. at 7¼% for a term of ten years, maturing December 10, 1970. Principal balance as at September 30, 1961 was \$17,048.90 and the annual installment (principal and interest) due within one year is \$2,523.96.

12. An independent appraisal was made of the Research Development and Engineering Program being acquired by the company by Industrial Market Research Limited in November, 1961 in the amount of \$188,000.00 and the directors will record the same on the books of the company at \$150,000.00.

AUDITORS' REPORT

To the Directors,
Magna Electronics Corporation Limited,
Toronto, Ontario.

We have examined the Pro Forma Balance Sheet of Magna Electronics Corporation Limited as at September 30, 1961 and have made such tests of the Company's records as we considered necessary in the circumstances. In our opinion the accompanying pro forma balance sheet presents fairly the position of the Company on that date after giving effect to the transactions outlined in the accompanying notes.

Toronto, Ontario,
November 20, 1961.

RESNICK, WINTRAUB & CO.,
Chartered Accountants.

STATUTORY INFORMATION

- (1) The full name of the Company is "MAGNA ELECTRONICS CORPORATION LIMITED" (hereinafter referred to as the "Company") and the Head Office of the Company is 970 Broadview Avenue, Toronto 6, Ontario.
- (2) The Company was incorporated by Letters Patent dated the 16th day of November, 1961, under the laws of Ontario.
- (3) The Company will carry on, on an expanded basis, the same activities as its various predecessors. These constitute the manufacture of high precision parts to extremely accurate specifications for the electronics, computer, radar, aircraft and missile industries and other categories of modern business requiring a high degree of skill and complex accurate tools and testing equipment. The Company numbers among its customers some of the largest concerns in these fields both in Canada and in the United States of America.
- (4) The full names of the officers and directors, their occupations and addresses are as follows:

OFFICERS

JOHN EDWARD WARRINGTON	<i>President</i>	36 Alder Road, Toronto 16, Ontario.
CHARLES RODMOND LOBB	<i>Vice-President</i> (Technical Sales)	12 Arlene Road, Scarborough, Ontario.
HAROLD WARRINGTON	<i>Vice-President</i> (Sales)	59 Haileybury Drive, Scarborough, Ontario.
FELIX CHARLEBOIS	<i>Vice-President</i> (Manufacturing)	94 Homewood Avenue, Toronto 5, Ontario.
WILLIAM DALE	<i>Vice-President</i> (Production Engineering)	60 Enewan Drive, Victoria Park Village, Ontario.
RUDOLPH PETRICK	<i>Vice-President</i> (Development & Research)	71 Lyon Heights Road, Scarborough, Ontario.
HARRY TREVOR PAWSON	<i>Secretary-Treasurer</i>	3161 Sheppard Avenue East, Agincourt, Ontario.

DIRECTORS

JOHN EDWARD WARRINGTON	<i>Executive</i>	36 Alder Road, Toronto 16, Ontario.
HARRY TREVOR PAWSON	<i>Executive</i>	3161 Sheppard Avenue East, Agincourt, Ontario.
ROBERT HERBERT SCARLETT	<i>Stock-Broker</i>	108 Bayview Ridge, Willowdale, Ontario.
FRANCIS VINCENT REGAN	<i>Solicitor</i>	611 Lonsdale Road, Toronto 10, Ontario.
CHARLES RODMOND LOBB	<i>Executive</i>	12 Arlene Road, Scarborough, Ontario.

- (5) The auditors are Resnick, Wintraub & Co., 2 Carlton Street, Toronto 1, Ontario.
- (6) The Canada Trust Co., 110 Yonge Street, Toronto, Ontario, is the Registrar and Transfer Agent.
- (7) The authorized capital of the Company consists of 10,000 6½% Cumulative, Redeemable, Sinking Fund Preference Shares of the par value of \$100.00 each (hereinafter called the "Preference Shares"), and 1,000,000 Common shares without par value. 250,000 Common shares have been issued and are outstanding as fully paid and non-assessable.
- (8) (1) The holders of the Preference shares shall have the right to receive as and when declared by the board of directors of the Company out of the moneys of the Company properly applicable to the payment of dividends fixed, cumulative, preferential dividends at the rate of six and one-half per cent (6½%) per annum, payable quarterly, on the 1st days of March, June, September and December in each year on the amounts from time to time paid up thereon; cheques on the Company's bankers payable at par at any branch thereof in Canada (far northern branches excepted) shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; such dividends shall accrue from a date or dates not later than six months after the respective dates of issue, as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment, provided that in respect of the preference shares first issued such dividends shall accrue at the rate aforesaid from the 15th day of December, 1961; if on any dividend payment date the dividend payable on such date is not paid in full on all of the Preference shares then issued and outstanding, such dividend or the unpaid part thereof, shall be paid at a subsequent date or dates as and when declared by the board of directors; the holders of Preference shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for; no dividends shall at any time be declared and paid on or declared and set apart for the common shares or any of them or any other shares of the Company junior to the preference shares, nor shall the Company call for redemption except as required to meet the sinking fund requirements set forth in clause seven (7) hereof less than all the outstanding Preference shares, unless all accrued dividends on the Preference shares then issued and outstanding shall have

been declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption.

(2) The holders of the Preference shares, as such, shall not be entitled (except as herein specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company and shall not be entitled to any vote at any such meeting unless and until the Company from time to time shall fail to pay in the aggregate eight quarterly dividends on the Preference shares on the dates on which the same should be paid according to the provisions hereof whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter so long as any dividends on the Preference shares remain in arrears the holders of the Preference shares shall be entitled to receive notice of all meetings of shareholders, to attend all such meetings and to receive one (1) vote in respect of each Preference share held, and to elect annually one member of the board of directors of the Company; at any meeting of shareholders held for the purpose of electing directors during such time as the holders of the Preference shares shall be entitled to elect a director as herein provided, two persons present in person and each entitled to vote for or on behalf of the holders of Preference shares shall constitute a quorum for the election of directors by the Preference Shareholders and if at any such meeting a quorum of the holders of the Preference shares shall not be present, then the holders of the common shares shall be entitled to elect from amongst the holders of the Preference shares a director whom the holders of such Preference shares would have been entitled to elect had a quorum been present and any vacancy in the board of directors recurring during such time shall be filled only from amongst the holders of the same class of shares as the director whose office as such director shall have become vacant; notwithstanding the foregoing the holders of the Preference shares shall at all times be entitled to notice of any meeting of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

(3) In the event of the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders by way of repayment of capital, the holders of the Preference shares shall be entitled to receive the amount paid up on such shares, together with all unpaid cumulative dividends, whether or not earned or declared, which shall have accrued thereon, and which, for such purpose shall be treated as accruing up to the date of such distribution, in priority to any distribution to the holders of the Common shares or any shares of any other class ranking junior to the Preference shares but such holders shall not be entitled to share any further in the distribution of the property or assets of the Company;

(4) The Company may in the manner hereinafter provided redeem all or from time to time any part of the outstanding Preference shares on payment to the holders thereof for each share to be redeemed, of the amount paid up thereon together with a premium of five per cent (5%) thereof and all unpaid cumulative dividends whether or not earned or declared, which shall have accrued thereon and which for such purpose, shall be treated as accruing up to the date of such redemption;

(5) Before redeeming any Preference shares, the Company shall mail to each person who, at the date of such mailing, is a registered holder of shares to be redeemed, notice of the intention of the Company to redeem such shares held by such registered holder; such notice shall be mailed by ordinary prepaid post addressed to the last address of such holder as it appears on the books of the Company or in the event of the address of any such holder not appearing on the books of the Company, then to the last known address of such holder, at least thirty (30) days before the date specified for redemption; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders or any accidental error in any notice of redemption shall not affect the validity of such redemption; such notice shall set out the redemption price, the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid the redemption price to the registered holders of the shares to be redeemed, on presentation and surrender of the certificates for the shares so called for redemption at the office in the City of Toronto, Canada, of the Company's Transfer Agent for said shares or at such other place or places as may be specified in such notice, and the certificates for such shares shall thereupon be cancelled, and the shares represented thereby shall thereupon be redeemed; from and after the date specified for redemption in such notice, the holders of such shares called for redemption shall cease to be entitled to dividends and shall not be entitled to any rights in respect thereof except to receive the redemption price, unless payment of the redemption price shall not be made by the Company in accordance with the foregoing provisions, in which case the rights of the holders of such shares shall remain unimpaired; on or before the date specified for redemption the Company shall have the right to deposit the redemption price of the shares called for redemption in a special account with any chartered bank or trust company in Canada named in the notice of redemption to be paid without interest to or to the order of the respective holders of such shares called for redemption upon presentation and surrender of the certificates representing the same and, upon such deposit being made, the shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the several holders thereof, after such deposit, shall be limited to receiving out of the moneys so deposited, without interest, the redemption price applicable to their respective shares against presentation and surrender of the certificates representing such shares;

(6) The Company may at any time or times purchase for cancellation the whole or any part of the Preference shares outstanding from time to time in the open market or by tender at the lowest price but not exceeding the amount paid up thereon, together with a premium of five (5%) per cent thereof and all unpaid cumulative dividends, whether or not earned or declared, which shall have accrued thereon and which, for such purpose, shall be treated as accruing up to the date of such purchase, plus customary brokerage;

(7) So long as any of the Preference shares are outstanding, the Company shall on or before the 1st day of January in each year, commencing on the 1st day of January, 1963, set aside on its books to the credit of a sinking fund account an amount to be used for the redemption or purchase for cancellation of the outstanding Preference shares, which amount shall be equal to whichever shall be the greater of:

(a) Three per cent (3%) of the net profits (as hereinafter defined) for the preceding fiscal year of the Company, or

(b) Two per cent (2%) of the aggregate par value of the Preference shares issued and outstanding at the end of the preceding fiscal year; the Company shall with reasonable dispatch use and apply the moneys from time to time in the sinking fund either in the purchase of Preference shares as provided in Clause Six (6) hereof or in the redemption of Preference shares as provided in Clauses Four (4) and Five (5) hereof; to the extent that such shares cannot be purchased at or below the then current redemption price for such shares plus the cost of purchase, the Company shall not be obliged forthwith to apply the amount set aside as a sinking fund or the unexpended balance thereof to the retirement by call of the Preference shares, but may carry the same on its books in a special sinking fund account to be used from time to time to purchase Preferred shares for cancellation; should the amount in the said special sinking fund account at any time and from time to time exceed the amount of the sinking fund requirement for the last three preceding years for which a sinking fund has to be provided, the Company shall forthwith call for redemption as many Preference shares as can be redeemed at the redemption price applicable thereto upon application of the balance in the said special sinking fund account standing to the credit of the Preference shares; the Company may, from time to time, anticipate the whole or any part of any sinking fund obligation by purchasing or redeeming Preference shares as herein provided and shall be entitled to credit the cost of such purchase or redemption against the amount of the said obligation so anticipated;

"Net profits" means the income from all sources, not including gains or losses on the sale or disposal of capital assets or investments of the Company or if at the time the Company has one (1) or more subsidiaries, of the Company and its subsidiaries on a consolidated basis after due provision for any minority interest computed in accordance with generally accepted accounting practice and reported upon by the Company's auditors after charging or making provision for interest on funded debt and other interest bearing indebtedness, amortization of bond or debenture discount and expenses, taxes on income or profits, depreciation on depreciable properties, plant and equipment at rates acceptable to the Company's auditors and all other expenses of operation and administration, including such allowance for bad or doubtful debts as the Company's auditors may approve, and after deducting the amount of dividends on the Preference shares whether heretofore, hereby or hereafter authorized for the period for which the net profits are being determined;

"Subsidiary" means any Corporation, the majority of the voting shares of which is held, owned or controlled directly or indirectly, by or for the Company; provided that the ownership or control of such voting shares confers the right to elect at all times at least a majority of the Board of Directors of such Corporation, and any other Corporation in like relation to a subsidiary;

(8) The authorization for an application for the issue of Supplementary Letters Patent to delete or vary any Preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares or to create Preference shares ranking in priority to or on a parity with the Preference shares in addition to the authorization by a special resolution may be given by at least two-thirds of the votes cast at a meeting of the holders of the Preference shares duly called for that purpose.

(9) Every holder of Common shares shall be entitled to one (1) vote at all shareholders' meetings for each such share so held.

Share Purchase Warrants

R. H. Scarlett & Co. Ltd. have agreed with the Company to purchase 100,000 Share Purchase Warrants at a price of 5¢ per warrant at time of closing of which 50,000 of such Warrants will at such time be offered for sale to John Edward Warrington, 36 Alder Road, Toronto 16, Ontario, at 5¢ per Warrant, as more particularly set forth in paragraph 16, sub-section (e) (3) hereof. The said Share Purchase Warrants entitling the holders thereof to purchase an aggregate of 100,000 Common shares without nominal or par value in the capital stock of the Company may be offered for sale from time to time.

- (9) The Company proposes to issue \$250,000.00 in principal amount of general Mortgage Serial Bonds under the provisions of a Trust Deed (hereinafter called the "Trust Deed") to be made by the Company in favour of The Canada Trust Company, as Trustee, to be dated as of the 1st day of February, 1962, which will form part of an authorized issue of General Mortgage Bonds limited to an aggregate principal amount of \$1,000,000.00 in lawful money of Canada. The balance of \$750,000.00 in principal amount of General Mortgage Bonds may be issued at any time, if authorized by the Directors of the Company, and if certified by the Trustee to a principal amount not exceeding 66⅔% of the excess over the aggregate of the lesser of cost or fair value of additional property acquired after February, 1962, and the lesser of cost or fair value of additional property owned by any future subsidiary, and provided that the average annual net earnings of the Company and all its subsidiary companies, if any, after provision for minority interests, for the two financial years next preceding the date of application to the Trustee for the certification and delivery of such additional Bonds shall have been not less than four times the aggregate annual interest requirements on all Bonds to be outstanding hereunder after issue of such additional Bonds, and subject to such other terms and conditions as are set out in said Trust Deed, and shall bear such date or dates as the Directors may by resolution determine, all upon the terms and subject to the conditions to be specified in the Trust Deed but all of which General Mortgage Bonds at any time outstanding will rank *pari passu* and will be equally and rateably secured under the Trust Deed.

The initial issue of \$250,000.00 General Mortgage Serial Bonds (hereinafter referred to as the Serial Bonds, 1962 Series) shall be dated as of the 1st day of February, 1962; shall be payable as to \$25,000.00 principal amount thereof on the 1st day of February, 1963, and as to a like principal amount on the same day in each of the succeeding nine (9) years; and shall bear interest at the rate of 6½% per annum payable half-yearly on the 1st days of February and August in each year.

The General Mortgage Bonds will in the opinion of Counsel, be secured under or pursuant to the Trust Deed by way of a specific mortgage, pledge and charge on all the Company's presently owned and hereafter acquired real and immovable property and furniture, plant, machinery, equipment and fixed assets and by a floating charge on all the undertaking, property and assets of the Company.

The said floating charge will in no way hinder or prevent the Company (except as expressly provided) among other things from selling, alienating, assigning, charging, disposing of or dealing with the subject matter of such floating charge in the ordinary course of its business and for the purpose of carrying on the same, or from pledging, assigning or giving security or securities (whether by way of floating charge or otherwise) on the subject matters of such floating charge to any bank or banks under the Bank Act of Canada or otherwise for present or future debts or liabilities of the Company to such bank or banks and that such pledge, assignment, security or securities shall rank in priority over the said floating charge.

The Trust Deed will provide that the General Mortgage Bonds will be redeemable in whole or in part at the option of the Company on thirty (30) days prior notice at any time before maturity upon payment, in the case of the initial issue, of the principal amount of the Bonds to be redeemed together in each case with accrued interest to the date of redemption; and in the case of additional Bonds, upon payment of said principal and interest and such premium, if any, as the Directors of the Company may decide. The Trust Deed will also provide that the Company may purchase such bonds but at a price not exceeding the cost of redemption at such time of purchase plus costs of purchase.

The Trust Deed makes no provision for any sinking fund for the retirement of the General Mortgage Serial Bonds of the initial issue.

The General Mortgage Serial Bonds of the initial issue (\$250,000.00) have been subscribed for by shareholders of the Company and will not be sold to members of the public.

Except as aforesaid there are no bonds or debentures outstanding or proposed to be issued which, if issued, will rank ahead of or *pari passu* with the securities offered by this prospectus.

- (10) No substantial indebtedness not shown in the pro forma balance sheet of the Company as at September 30, 1961, forming part of this prospectus is intended to be created or assumed by the Company other than in the ordinary course of business.
- (11) The Company has granted an option to R. H. Scarlett & Co. Ltd., on all or any part of 1,500 of the 6½% cumulative redeemable sinking fund Preference shares of the Company described in paragraph (8) hereof at a price of \$100.00 per share less a commission of 10%, to be exercised within one (1) year from the closing time. The following are the persons having more than a 5% interest in R. H. Scarlett & Co. Ltd:

Robert Herbert Scarlett,

Robert Hunter Scarlett,

Nathan Louis Sandler.

- (12) The number of Preference and Common shares offered by this prospectus and their correct descriptive title and the issue price to the public are set out on page 1 of this prospectus to which reference is hereby expressly made. Reference is also made to the share purchase warrants more particularly described on page 3 hereof. The Company has not previously offered its securities for sale to the public. After the 100,000 Common shares have been distributed, the holders of the 250,000 Common shares of the Company then issued and outstanding or some thereof may offer to sell and sell their shares or some thereof from time to time in the course of primary distribution through registered security dealers who, if not beneficial owners of the shares so offered, will be acting as agents and will be paid the usual and customary commissions at the established rates of the Toronto Stock Exchange or a commission not to exceed 10% of the sale price. Reference is made, however, to Paragraph (31) hereof as to certain escrow provisions respecting certain of the said shares.
- (13) The estimated net proceeds to be derived from the securities offered on the basis of such securities being fully taken up and paid for is \$225,000.00 for the Preference shares and \$315,000.00 for the Common shares, making total estimated net proceeds of \$540,000.00. This estimate is based on R. H. Scarlett & Co. Ltd. having wholly exercised its option on 1,500 Preference shares referred to in paragraph (11) of this prospectus. The accuracy of the estimate is governed by the speed with which R. H. Scarlett & Co. Ltd. exercises its option.
- (14) The specific purposes for which the offered securities are to supply funds together with the \$250,000.00 received from the sale of the Serial Bonds, 1962 Series, referred to in paragraph (9) of this prospectus is as follows:
 - (a) To carry on the business outlined in paragraph (3) of this prospectus by the purchase of the assets and the assumption of the liabilities of Duncairn Holdings Limited, Magna Electronics Limited, Magna Metal Fabricators Limited, Petronics Limited, Verral Metal Fabricators Limited and Southern Manufacturing and Equipment Limited, at a price of approximately \$550,000.00.
 - (b) To give the Company approximately \$230,000.00 working capital.

If the option on Preference shares referred to in paragraph (11) is not exercised or exercised only in part, it results only in the reduction of working capital.

- (15) In the opinion of the Directors the minimum amount which must be raised by the issue of the securities in order to provide the sums required is \$410,000.00, the amount to be raised under the underwriting by R. H. Scarlett & Co. Ltd. The aforesaid sum together with the \$250,000.00 from the sale of the Serial Bonds, 1962 Series, will provide \$660,000.00 without the exercise of any part of the

option referred to in paragraph (11) of this prospectus. This sum is estimated to be sufficient to defray the following:

Purchase of assets and assumption of liabilities of the six companies named in paragraph (14) of this prospectus	\$550,000.00
Preliminary expenses including legal and audit	15,000.00
Cash balance for working capital	95,000.00
	\$660,000.00

The above sum of \$395,000.00 is the net amount to be received by the Company under the aforementioned underwriting agreement, the \$10,000.00 commission to the underwriter, by reason of its having agreed to subscribe for 1,000 Preference shares of the capital stock of the Company, having already been deducted.

No monies have been borrowed by the Company in respect of the foregoing matters and no loans have been incurred in respect of this issue nor are any contemplated.

- (16) The underwriting agreement dated as of the 20th day of November, 1961, is made between the company and the underwriter, R. H. Scarlett & Co. Ltd. and the terms contained therein may be summarized as follows:

(a) The Company will buy the assets and assume the liabilities of the six companies named in paragraph (14) of this prospectus.

(b) The closing time is on or before the 15th day of January, 1962.

(c) At the closing time the underwriter will purchase:

(1) 1,000 cumulative, redeemable, sinking fund Preference shares par value \$100.00 each of the capital stock of the Company @ \$90.00 per share.

(2) 100,000 Common no par value shares of the capital stock of the Company @ \$3.15 per share.

(3) 100,000 share purchase warrants @ 5¢ each. These will be purchased on the underwriter's own account and will permit the holder to purchase 1 share of common stock of the Company for each warrant held.

The underwriter has agreed to sell 50,000 of these share purchase warrants at 5¢ each to John Edward Warrington, 36 Alder Road, Toronto 16, Ontario at closing time.

These warrants are created by a Trust Indenture between the Company and the Canada Trust Company, dated as of November 30th, 1961. The said, The Canada Trust Company, is Trustee under said Trust Indenture and is also the Transfer Agent and Registrar of the share purchase warrants.

These warrants may be sold at any time. They will expire on December 31st, 1966. The schedule of prices at which such warrants will be exercisable is:

on or before December 31, 1962	\$3.50 per share
Thereafter and on or before December 31, 1963	\$4.00 per share
Thereafter and on or before December 31, 1964	\$4.50 per share
Thereafter and on or before December 31, 1965	\$5.00 per share
Thereafter and on or before December 31, 1966	\$5.50 per share

(4) In addition the Underwriter has the option to purchase an additional 1,500 Preference shares, the details of which are set forth in paragraph (11) of this prospectus.

- (17) The provisions of the By-laws of the Company as to remuneration of the Directors are as follows: The Directors shall be paid such remuneration, if any, as the Board may from time to time determine. Any remuneration so payable to a Director who is also an Officer or Employee of the Company or who is Counsel or Solicitor to the Company or otherwise serves it in a professional capacity shall be in addition to his salary as such officer or to his professional fees as the case may be. In addition the Board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special work or service for, or undertakes any special mission on behalf of, the Company outside the work or services ordinarily required of a Director of the Company. The Directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties as the board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required.

- (18) As the Company has not yet commenced business no remuneration has been paid to its directors or officers as such. It is estimated that the total amount of directors fees to be paid during the current financial year will be \$2,000.00.

It is estimated that the aggregate remuneration to be paid during the current financial year to officers of the Company who individually may be entitled to receive remuneration in excess of \$10,000.00 per annum will be \$95,000.00. In addition the president whose salary is included in the aforementioned total will be entitled to a bonus of 2½% of the consolidated net profits of the Company before tax. Aggregate salaries in this amount have been paid in the past to the officers of the Company by the vendor companies set forth in paragraph (22) hereof.

- (19) No amount has been paid or is now payable as a commission by the Company for subscribing or

agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company except as set forth in paragraph (11) hereof to which reference is hereby expressly made.

- (20) It is estimated that the amount of the preliminary expenses of the Company will be \$15,000.00, including \$2,500.00 organization expense.
- (21) The Company intends to buy the assets and assume all the liabilities of Duncairn Holdings Limited, Magna Electronics Limited, Magna Metal Fabricators Limited, Petronics Limited and Southern Manufacturing and Equipment Limited, and Verral Metal Fabricators Limited, the price to be book value at the date of closing but not in any event to exceed \$550,000.00. The purchase monies will be defrayed in whole or in part out of the proceeds of the issue of the securities of the Company and depending on the extent to which the option on Preference shares is exercised may be partially paid out of the proceeds from the subscriptions for the Serial Bonds, 1962 Series.
- (22) By an agreement dated as of the 20th day of November, 1961, the Company as purchaser agreed with Duncairn Holdings Limited, Magna Electronics Limited, Magna Metal Fabricators Limited, Petronics Limited, Southern Manufacturing and Equipment Limited and Verral Metal Fabricators Limited, as Vendors, to purchase all of the assets of the said Vendors as going concerns including goodwill of Magna Electronics Limited of \$141,600.00 and the right to represent itself as the successor to the Vendors and to use the names of the Vendors to identify the various divisions of the Company for a cash consideration of \$550,000.00 and the assumption (to the complete exoneration of the Vendors) of all liabilities of the Vendors.

The said agreement provides that the transaction of purchase and sale is to be completed on or before January 15th, 1962.

The assets and liabilities of the Vendor companies as at September 30th, 1961, were as follows:

<i>Names</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Book Value</i>
Duncairn Holdings Limited	200,018.73	68,990.08	131,028.65
Magna Electronics Limited	340,830.08	31,455.82	309,374.26
Magna Metal Fabricators Limited	265,153.65	239,123.87	26,029.78
Petronics Limited	44,034.63	35,965.64	8,068.99
Southern Manufacturing and Equipment Limited	64,168.26	38,233.89	25,934.37
Verral Metal Fabricators Limited	78,854.63	29,290.68	49,563.95
	<u>993,059.98</u>	<u>443,059.98</u>	<u>550,000.00</u>

Magna Electronics Limited has recorded on its books Goodwill of \$141,600.00 and the Company has agreed to pay the said sum to Magna Electronics Limited for such asset. Magna Electronics Limited based such valuation on its record of earnings. The said agreement provides that the said cash consideration of \$550,000.00 will be divided pro rata among each of Duncairn Holdings Limited, Magna Electronics Limited, Magna Metal Fabricators Limited, Petronics Limited, Southern Manufacturing and Equipment Limited and Verral Metal Fabricators Limited, according to their respective book values at the time of closing.

- (23) No securities have been issued or agreed to be issued by the Company, except for cash.
- (24) The Company is not offering any obligations. The obligations of the Company are described in paragraph (9) hereof.
- (25) Except as referred to in paragraph (16) hereof, no services have been rendered which are to be paid for by the Company wholly or partly out of the proceeds of the securities offered. No services have been or are to be paid for by securities of the Company.
- (26) No amount has been paid within the two preceding years or is intended to be paid to any promoter of the Company.
- (27) Since the date of its incorporation the Company has entered into the following contracts:
- (1) An agreement with The Canada Trust Company dated as of the 20th day of November, 1961, relating to the appointment of the Registrar and Transfer Agent as mentioned in paragraph (6) hereof.
 - (2) An agreement with the Companies mentioned in paragraph (22) hereof dated as of the 20th day of November, 1961, and relating to the purchase of their assets and the assumption of their liabilities.
 - (3) The aforementioned Trust Deed to be executed.
 - (4) The aforementioned Trust Indenture to be executed.
 - (5) An employment contract between the Company and John Edward Warrington, 36 Alder Road, Toronto 16, Ontario, of indefinite duration and providing for an annual salary and 2½% of the net profits of the Company before tax.
 - (6) Underwriting agreement with R. H. Scarlett & Co. Ltd. mentioned in paragraph (16) hereof.

Copies of the said contracts together with the Trust Deed referred to in this paragraph, when executed, may be inspected during ordinary business hours at the head office of the Company, 970 Broadview Avenue, Toronto 6, Ontario, during the course of primary distribution to the public of the securities offered by this prospectus.

- (28) No director has received or is to receive any interest in the promotion of the Company. The Company has not acquired any property at the date of this prospectus.
- John Edward Warrington has a controlling interest in Magna Electronics Limited and Petronics Limited and a one-half (½) interest in Magna Metal Fabricators Limited, whose assets will be sold

to the Company. Harry Trevor Pawson has a minority interest in Southern Manufacturing and Equipment Limited whose assets will be sold to the Company. No other director has any interest in any property to be acquired by the Company.

The 249,995 Common shares allotted and issued by the Company at 1¢ per share were issued to John Edward Warrington and Muriel Warrington, both of 36 Alder Road, Toronto 16, Ontario, Felix Charlebois, 94 Homewood Avenue, Toronto 5, Ontario, William Dale, 60 Enewan Drive, Victoria Park Village, Ontario, Harold Warrington, 59 Haileybury Drive, Scarborough, Ontario, Rudolph Petrick, 71 Lyon Heights Road, Scarborough, Ontario, Harry Trevor Pawson, 3161 Sheppard Avenue East, Agincourt, Ontario, and Charles Rodmond Lobb, 12 Arlene Crescent, Scarborough, Ontario, and the said John Edward Warrington, Muriel Warrington, Francis Vincent Regan of 611 Lonsdale Road, Toronto 10, Ontario and Donald Resnick of 91 Munro Boulevard, Willowdale, Ontario as Trustees for Carol Warrington and Donald Warrington.

No sum has been paid or agreed to be paid to any person or firm in cash or securities or otherwise by any person either to induce him to become, or to qualify him as a director or otherwise for services rendered by him or by the firm in connection with promotion or formation of the Company.

- (29) The Company will commence to carry on business at closing time which will be not later than January 15th, 1962. Of the above mentioned six Companies whose assets will be purchased by the Company, Petronics Limited has only carried on business since June, 1960, and Magna Metal Fabricators Limited has only carried on business since February, 1961.
- (30) John Edward Warrington and Muriel Warrington, both of 36 Alder Road, Toronto 16, Ontario, Felix Charlebois, 94 Homewood Avenue, Toronto 5, Ontario, William Dale, 60 Enewan Drive, Victoria Park Village, Ontario, Harold Warrington, 59 Haileybury Drive, Scarborough, Ontario, Rudolph Petrick, 71 Lyon Heights Road, Scarborough, Ontario, Harry Trevor Pawson, 3161 Sheppard Avenue East, Agincourt, Ontario, and Charles Rodmond Lobb, 12 Arlene Crescent, Scarborough, Ontario, by reason of beneficial ownership of common shares of the Company and John Edward Warrington, Muriel Warrington, Francis Vincent Regan of 611 Lonsdale Road, Toronto 10, Ontario, and Donald Resnick of 91 Munro Boulevard, Willowdale, Ontario, the registered owners of common shares of the Company as Trustees for Carol Warrington and Donald Warrington are in a position to elect or cause to be elected a majority of the directors of the Company.
- (31) 140,000 shares of the capital stock of the Company are held in escrow by The Canada Trust Company, subject to release pro rata to the parties entitled thereto as follows:
- 46,666 shares 6 months from the effective date;
46,666 shares 9 months from the effective date;
46,668 shares 12 months from the effective date, or
earlier only with the written consent of the Ontario Securities Commission.
- The effective date herein means the date of acceptance for filing of a prospectus by the Ontario Securities Commission.
- (32) No dividends have been paid on any of the shares in the capital stock of the Company.
- (33) The Directors know of no other material facts not disclosed in the foregoing.

DATED this 27th day of December, 1961.

- (34) The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required.

DIRECTORS

J. E. WARRINGTON

By "F. VINCENT REGAN"
His Attorney

"H. T. PAWSON"

"C. R. LOBB"

"F. VINCENT REGAN"

"R. H. SCARLETT"

- (35) To the best of its knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within its knowledge it has relied upon the accuracy and adequacy of the foregoing.

UNDERWRITER-OPTIONEE

R. H. SCARLETT & Co. LTD.

Per: "R. H. SCARLETT"

